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The President's Daily Brief

October 25, 1974

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FOR THE PRESIDENT ONLY

October 25, 1974

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FOR THE PRESIDENT ONLY**FRANCE**

French President Giscard d'Estaing called during a press conference yesterday for representatives of the principal oil exporters and importers among industrialized and developing nations to meet early next year to discuss energy matters. He suggested that the conference be limited to 10 or 12 nations.

Giscard reiterated his hope that the EC will speak with a single voice on energy matters and said France will not join the US-sponsored Energy Coordinating Group. He added, however, that France would not obstruct efforts to create a new international energy agency within the OECD. Despite Giscard's denial, his call for a "restricted" energy conference is intended to steal a march on the more deliberate strategy behind the Energy Coordinating Group's activity.

Giscard proposed that his conference consider guarantees of the income of oil exporters, "which might consist of pegging the level of oil prices to the level of economic development and set up the threshold at which the guarantees would be applied." It is not clear how the French intend such a system to function. Paris clearly hopes that it will appeal to both the oil importers--looking for lower prices--and the producers--who have spoken of linking their prices to inflation.

An inducement for EC support of the conference is contained in Giscard's suggestion that the Nine could have a single representative speak for the Community. France's boycott of the energy group within the OECD assures that the EC as such cannot be represented in that body.

Giscard also called on his EC partners to join him at a summit meeting in late November or early December to discuss "medium-range" planning for the EC's future. He has been known to want such a meeting before France's term as EC president expires at the end of the year.

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The French President also discussed the situation in the Middle East. He said the world community should recognize the Palestinians' right to a homeland and added that international negotiations should work toward that goal, as well as "recognized and secure frontiers" for Israel.

France supported the UN resolution to allow the PLO to speak during the General Assembly debate on the Palestinian issue, but it has not recognized any group as sole spokesman for the Palestinians. Foreign Minister Sauvagnargues has just returned from Jordan and Lebanon--where he met with PLO leader Arafat--and will soon visit Israel.

Turning to domestic matters, Giscard said he plans to meet soon with leaders from all hues of the French political spectrum to discuss his coming summit meetings with his EC partners, President Ford, and Soviet party chief Brezhnev.

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USSR-AUSTRALIA

Moscow has made a cash purchase of 1 million tons of Australian wheat, worth \$150 million, for delivery through August of next year. Australia's wheat harvest will not begin until December, but an excellent crop is expected; Australian wheat exports should total about 8 million tons in 1975.

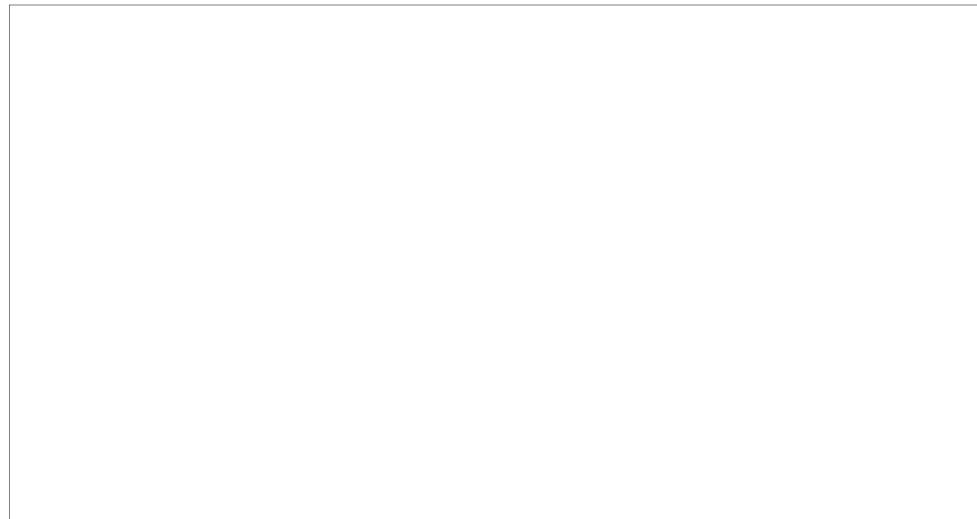
The purchase from Australia brings the total of confirmed new Soviet grain contracts for fiscal 1975 to about 2.5 million tons of wheat and 1.5 million tons of corn. The Soviets began this new round of buying in Argentina in mid-September with the purchase of about 500,000 tons of corn and 250,000 tons of wheat. This was followed in early October with their effort to buy 3.2 million tons of US grain, now reduced to 2.2 million tons following Secretary Simon's visit to Moscow.

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The buying began just as the USSR's harvest was concluding. The Soviet target was 205 million tons, but the Soviet press reported that harvesting was slowed by poor weather and that the corn crop was less than expected. Moscow has not yet published an official estimate of the grain harvest, but unofficial estimates range from 190 to 210 million tons. Our last estimate, as of two weeks ago, was 195 million tons.

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USSR-SYRIA



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ARAB SUMMIT MEETING

Arab foreign ministers meeting in preparation for the summit conference that begins Saturday reached a stalemate last night trying to reconcile the negotiating positions of Jordan and the Palestine Liberation Organization.

A PLO spokesman charged at a news conference that the foreign ministers had greeted all PLO demands with opposition or "total silence." In response to a leading question, he said that a PLO walkout is a possibility. The PLO has been demanding that its status as "sole legitimate" representative of the Palestinian people be reaffirmed.

Jordan and some of the other Arab states are objecting to this as posing an impediment to Jordan's right to negotiate for the West Bank. According to an Egyptian news service, the foreign ministers, having failed to resolve the impasse, are now inclined to leave it for their leaders to work out at the summit.

A PLO walkout is, in fact, unlikely. The threat, and the fact that the organization publicly aired the deadlock, may simply be tactical moves designed to dramatize the Palestinian position and wring as many concessions as possible from the other Arab states.

Although the publicity could limit PLO Chairman Yasir Arafat's options, he may prove to be a more tractable negotiator than his deputies. Moreover, the leaders of the states most directly involved--Jordan, Egypt, and Syria--are somewhat more flexible than their foreign ministers and may at least be more willing to attempt an accommodation.

At Annex, we discuss the issues at stake during the Arab summit meeting.

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NOTES

USSR-Egypt: A senior Egyptian official has told US representatives in Cairo that, except for the announcement that Brezhnev will visit Cairo next January, no agreements were reached during Foreign Minister Fahmi's visit to Moscow last week. The Soviets said that negotiations for further Soviet aid could proceed, but that no final agreements will be concluded until Brezhnev's visit.

West Germany: [redacted]

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Venezuela: US iron ore concessions are scheduled to be nationalized by December 9, but the government plans a one-year period of transition before the take-over is completed. The amount of compensation has yet to be agreed. [redacted]

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FOR THE PRESIDENT ONLY**ARAB SUMMIT MEETING****A
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The Arab summit meeting scheduled to convene in Rabat on Saturday will deal chiefly with the question of how to accommodate both Jordan and the Palestine Liberation Organization in peace negotiations. Principal Arab leaders may also discuss the pace of negotiations, particularly whether to proceed by stages or shortly to resume plenary sessions of the Geneva conference.

The Palestinians and Jordan

President Sadat essentially wants to obtain from the summit Arab recognition of Jordan's role as negotiator for the West Bank. At the same time, he seeks to give the PLO a kind of standing that will put it on an almost equal footing with the front-line Arab states and that will offer at least a long-range hope that the Palestinians will obtain satisfaction from a negotiating process.

Sadat's tactic so far has been to play with words, first withholding and then conceding the label of "sole legitimate representative" accorded the PLO at last year's Arab summit. He has held to his basic strategy on the central issue--that no matter what label is given to either party, Jordan must initially be accorded the right to negotiate for the West Bank if there are to be any negotiations at all.

Sadat will continue this line at the summit, hoping that appeals to "realism" and some semantic maneuvers will induce all parties to be more flexible. The recent vote by the UN General Assembly to permit the PLO to participate in assembly debate on the Palestinian question should assist Sadat's effort. Also of some help is the joint Egyptian-Soviet statement issued last week. This statement called for an independent PLO delegation at Geneva and affirmed the Palestinians' right to establish a "national entity."

Sadat can point out that the international recognition for the PLO implied in the UN vote and in the Egyptian-Soviet statement is a kind of guarantee that turning actual negotiations over to Jordan will not mean either abandoning the Palestinians or denigrating the PLO. Egypt's lobbying for the UN vote and its support for the Soviet statement, moreover, enable Sadat to argue with the PLO that Egypt

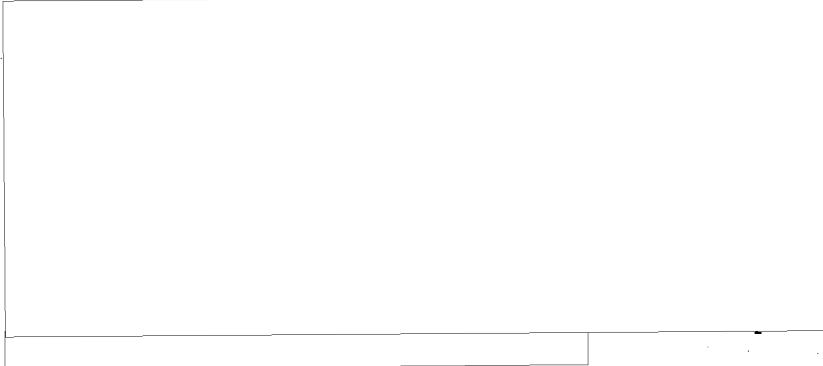
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is really backing the Palestinians for the longer haul and is currently supporting Jordan only as a tactical move.

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The main obstacle to Sadat's strategy is less the PLO itself than the attitudes of the PLO's supporters--Algeria, Kuwait, Iraq, and Syria. Algerian President Boumediene, in particular, could lead a stampede in favor of the PLO and against Jordan, drag the Saudis and Syrians along, and encourage the PLO to press for its maximum position. This would wreck Sadat's balancing act and with it his hopes of fielding a united Arab negotiating team in the next round with the Israelis and eventually at Geneva.

The Politics of Economics

The Arabs' key position in international economic affairs and the political ramifications of this role presumably will be a major topic of discussion, but the conference is not likely to make any decisions on the substance of oil policies. The oil producers comprise only a quarter of the membership of the Arab League, and they will not readily submit the essentials of their oil policies to discussion by their poor relations.

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Egypt's recent propaganda on the oil price question probably typifies the sort of noises the Arabs will make at the summit. Egyptian media claim that predictions of economic chaos are exaggerated, and that criticism has been unjustly centered on Arabs, rather than on all oil producers, as part of a "Zionist-inspired" propaganda campaign. Although the Egyptians righteously portray the Arabs as eager to avoid economic chaos, Cairo emphasizes at the same time the Arabs' capability for causing disruption and their "right" to do so if political necessity dictates.

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One specific area of economic cooperation that will be discussed at the summit is assistance to Africa. Many of the Africans severed relations with Israel last year, and the Arabs have been under considerable pressure from African states to relieve the effects of high oil prices as a quid pro quo. Last year's summit established a relatively small assistance fund, under which disbursements are now being made. Although this year's meeting doubtless will continue the fund, no substantial increase is likely.

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